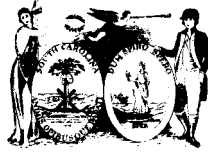


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

September 27, 2001

Mr. Randy Tucker, Administrator
Cherokee County Long Term Care Facility
1434 North Limestone Street
Gaffney, South Carolina 29340-4734

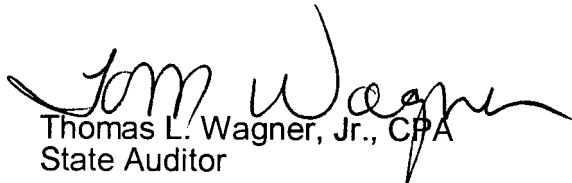
Re: AC# 3-CKC-F9 – Cherokee County d/b/a Cherokee County Long Term Care Facility

Dear Mr. Tucker:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period July 1, 1998 through June 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**CHEROKEE COUNTY
D/B/A CHEROKEE COUNTY
LONG TERM CARE FACILITY

GAFFNEY, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-CKC-F9**

**AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED JUNE 30, 1999	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 30, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Cherokee County d/b/a Cherokee County Long Term Care Facility, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended June 30, 1999, as set forth in the accompanying schedules. The management of Cherokee County d/b/a Cherokee County Long Term Care Facility is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

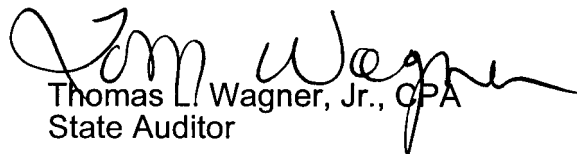
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Cherokee County d/b/a Cherokee County Long Term Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Cherokee County d/b/a Cherokee County Long Term Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 30, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

CHEROKEE COUNTY LONG TERM CARE FACILITY

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-CKC-F9

Interim reimbursement rate (1)	\$107.71
Adjusted reimbursement rate	<u>105.84</u>
Decrease in reimbursement rate	\$ <u><u>1.87</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

CHEROKEE COUNTY LONG TERM CARE FACILITY
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-CKC-F9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$52.71	\$57.75	
Dietary		11.69	10.56	
Laundry/Housekeeping/Maint.		<u>9.41</u>	<u>9.12</u>	
Subtotal	\$ <u>3.62</u>	73.81	77.43	\$ 73.81
Administration & Med. Rec.	\$ <u>.24</u>	<u>10.96</u>	<u>11.20</u>	<u>10.96</u>
Subtotal		84.77	<u>\$88.63</u>	84.77
<u>Costs Not Subject to Standards:</u>				
Utilities		3.27		3.27
Special Services		.29		.29
Medical Supplies & Oxygen		4.93		4.93
Taxes and Insurance		.33		.33
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$93.59</u>		93.59
Inflation Factor (3.20%)				2.99
Cost of Capital				6.75
Cost of Capital Limitation				(.40)
Profit Incentive (Maximum 3.5% of Allowable Cost)				.24
Cost Incentive				3.62
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.11)
Nurse Aide Staffing Add-On 10/01/00				.89
Nurse Aide Staffing Add-On 10/01/99				<u>.27</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$105.84</u>

CHEROKEE COUNTY LONG TERM CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 1999
AC# 3-CKC-F9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,677,201	\$ 54,497 (8)	\$ 26,773 (6) 1,686 (6) 11,935 (7) 912 (7) 7,462 (8) 49,711 (10)	\$1,633,219
Dietary	346,714	28,658 (8) 279,738 (9)	951 (7) 292,111 (10)	362,048
Laundry	63,413	24,679 (9)	24,679 (10)	63,413
Housekeeping	133,240	94,285 (9)	93,286 (10)	134,239
Maintenance	118,564	7,077 (5) 6,874 (7) 122,945 (9)	161,535 (10)	93,925
Administration & Medical Records	309,489	26,773 (6) 7,816 (7) 131,195 (9)	8,983 (4) 717 (7) 125,544 (10) 560 (10)	339,469
Utilities	100,278	8,245 (8) 8,553 (9)	15,689 (10)	101,387
Special Services	9,011	-	-	9,011
Medical Supplies & Oxygen	167,554	-	9,788 (5) 5,109 (8)	152,657

CHEROKEE COUNTY LONG TERM CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 1999
AC# 3-CKC-F9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Taxes and Insurance	7,304	10,515 (8) 585 (9)	8,196 (10)	10,208
Legal Fees	-	-	-	-
Cost of Capital	220,289	21,778 (1) 22,291 (9) <u>24,417 (11)</u>	29,563 (2) 797 (3) <u>49,191 (10)</u>	209,224
Subtotal	3,153,057	880,921	925,178	3,108,800
Ancillary	30,660	2,711 (5)	-	33,371
Non-Allowable	784,648	29,563 (2) 797 (3) 8,983 (4) 1,686 (6) <u>820,502 (10)</u>	21,778 (1) 175 (7) 60,686 (8) 684,271 (9) <u>24,417 (11)</u>	854,852
Total Operating Expenses	<u>\$3,968,365</u>	<u>\$1,745,163</u>	<u>\$1,716,505</u>	<u>\$3,997,023</u>
Total Patient Days	<u>30,983</u>	<u>-</u>	<u>-</u>	<u>30,983</u>
Total Beds	<u>85</u>			

CHEROKEE COUNTY LONG TERM CARE FACILITY
Adjustment Report
Cost Report Period Ended June 30, 1999
AC# 3-CKC-F9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Fixed Assets	\$ 457,547	
	Cost of Capital	21,778	
	Accumulated Depreciation		\$ 196,466
	Fund Balance		261,081
	Nonallowable		21,778
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Other Investments	25,942	
	Accumulated Amortization - Loan Cost	17,892	
	Fund Balance	193,202	
	Nonallowable	29,563	
	Loan Cost		72,658
	Current Portion of Long Term Debt		88,625
	Bonds Payable		64,633
	Interest Payable		11,120
	Cost of Capital		29,563
	To adjust bond related debt, loan costs, interest expense, interest income, and amortization expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	797	
	Cost of Capital		797
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Nonallowable	8,983	
	Administration		8,983
	To adjust Provider allocation of dues expense HIM-15-1, Section 2304		
5	Maintenance	7,077	
	Ancillary	2,711	
	Medical Supplies		9,788
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

CHEROKEE COUNTY LONG TERM CARE FACILITY
Adjustment Report
Cost Report Period Ended June 30, 1999
AC# 3-CKC-F9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Medical Records	26,773	
	Nonallowable	1,686	
	Nursing		26,773
	Restorative		1,686
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
7	Maintenance	6,874	
	Medical Records	7,816	
	Nursing		11,935
	Restorative		912
	Dietary		951
	Administration		717
	Nonallowable		175
	To properly allocate fringe benefit expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Restorative	54,497	
	Dietary	28,658	
	Utilities	8,245	
	Taxes and Insurance	10,515	
	Other Income		28,658
	Nursing		7,462
	Medical Supplies		5,109
	Nonallowable		60,686
	To reverse Provider allocation of cost to non-reimbursable cost centers and income offset HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		

CHEROKEE COUNTY LONG TERM CARE FACILITY

Adjustment Report
Cost Report Period Ended June 30, 1999
AC# 3-CKC-F9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
9	Dietary	279,738	
	Laundry	24,679	
	Housekeeping	94,285	
	Maintenance	122,945	
	Administration	131,195	
	Utilities	8,553	
	Taxes and Insurance	585	
	Cost of Capital	22,291	
	Nonallowable		684,271
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Nonallowable	820,502	
	Restorative		49,711
	Dietary		292,111
	Laundry		24,679
	Housekeeping		93,286
	Maintenance		161,535
	Administration		125,544
	Medical Records		560
	Utilities		15,689
	Taxes and Insurance		8,196
	Cost of Capital		49,191
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Cost of Capital	24,417	
	Nonallowable		24,417
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$2,439,746</u>	<u>\$2,439,746</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

CHEROKEE COUNTY LONG TERM CARE FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended June 30, 1999
AC# 3-CKC-F9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	
Number of Beds	<u>44</u>	<u>41</u>	
Deemed Asset Value	1,591,260	1,482,765	
Improvements Since 1981	649,287	108,362	
Accumulated Depreciation at 6/30/99	<u>(806,533)</u>	<u>(520,327)</u>	
Deemed Depreciated Value	1,434,014	1,070,800	
Market Rate of Return	<u>.060</u>	<u>.060</u>	
Total Annual Return	86,041	64,248	
Return Applicable to Non-Reimbursable Cost Centers	(13,244)	(13,972)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>1,217</u>	<u>27,041</u>	
Allowable Annual Return	74,014	77,317	
Depreciation Expense	38,220	77,364	
Amortization Expense	-	3,785	
Capital Related Income Offsets	(1,159)	(11,126)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(6,922)</u>	<u>(42,269)</u>	<u>Total</u>
Allowable Cost of Capital Expense	104,153	105,071	\$209,224
Total Patient Days (Actual)	<u>16,045</u>	<u>14,938</u>	<u>30,983</u>
Cost of Capital Per Diem	\$ <u>6.49</u>	\$ <u>7.03</u>	\$ <u>6.75</u>

CHEROKEE COUNTY LONG TERM CARE FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended June 30, 1999
AC# 3-CKC-F9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.72	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$5.71</u>	<u>\$7.03</u>
Reimbursable Cost of Capital Per Diem		\$6.35
Cost of Capital Per Diem		<u>6.75</u>
Cost of Capital Per Diem Limitation		\$ <u>(.40)</u>

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